

PRUDENTIAL TRUST COMPANY LIMITED

366 BAY STREET, TORONTO, ONT.

**Offer to Buy Common Shares of
NEW SURPASS PETROCHEMICALS LIMITED**

August 10, 1961.

TO THE SHAREHOLDERS OF
NEW SURPASS PETROCHEMICALS LIMITED

Chemalloy Minerals Limited having received an offer to purchase 100% of the issued shares of New Surpass Petrochemicals Limited has appointed Prudential Trust Company Limited as trustee to extend an offer on its behalf to the shareholders of New Surpass Petrochemicals Limited and to receive and hold acceptances under the terms of the offer.

Prudential Trust Company Limited hereby offers to purchase 100% of the fully paid and non-assessable common shares of New Surpass Petrochemicals Limited (hereinafter called "Surpass") at a price of \$0.46 (Canadian funds) per share, subject to the terms and conditions set forth hereinafter. The offeror reserves the right, in the event that less than 100% of the common shares are tendered in acceptance of this offer, to reject all the shares tendered.

The terms and conditions of this offer are as follows:

1. Tenders for common shares will be accepted by the Offeror to the extent of a minimum of 100% of the common shares sent to Prudential Trust Company Limited, Toronto, Ontario.
2. This offer will terminate at 5:00 p.m., Eastern Daylight Saving Time on September 15, 1961, or at such earlier date and time as tenders for at least 100% of the common shares shall have been received by the Offeror which expiry date shall be the date of closing.
3. In order to effect an acceptance of this offer, share certificates must be deposited on or before the closing date with the Offeror and must be accompanied by a Letter of Transmittal substantially in the form attached, properly filled in and signed in accordance with the instructions thereon. All certificates so deposited must be duly endorsed in blank for transfer, in either case with the signature guaranteed pursuant to the said instructions or otherwise guaranteed to the satisfaction of the Offeror.
4. The Offeror reserves the right, if less than 100% of the common shares are tendered, to purchase all or any part thereof or to extend the closing date by not more than forty-six days, at which time the shares tendered will be accepted and paid for or returned.
5. Certificates for common shares of Surpass, which are deposited as above provided, shall be purchased by the Offeror on the closing date as herein provided. Payment for shares purchased pursuant to this offer will be made as soon as practicable by the Offeror forwarding to each depositor at his address given on the form of Letter of Transmittal accompanying his share certificates (or, if no address is therein specified, at his address as the same may appear on the books of Surpass or its transfer agent) a cheque for the amount to which such depositor is entitled hereunder, payable without charge at any branch in Canada of the bankers of the Offeror. Certificates for any shares which are not purchased by the Offeror for any reason will be returned to the depositor as promptly as practicable after the expiry of this offer.
6. The Offeror reserves full discretionary rights to determine finally all questions relating to tenders of shares, including without limitation the time of receipt of all tenders of shares, their validity and effect, the propriety of their execution and all questions relating to any fees which may be payable to any dealer or broker.

Additional copies of this offer and the attached form of Letter of Transmittal may be obtained from the undersigned.

PRUDENTIAL TRUST COMPANY LIMITED,
Per: F. C. BEVERIDGE,
Branch Manager.

CHEMALLOY MINERALS LIMITED

SUITE 1402, 80 RICHMOND STREET WEST, TORONTO

August 10, 1961.

TO THE SHAREHOLDERS NEW SURPASS PETROCHEMICALS LIMITED

DEAR SIR OR MADAM:

As you are no doubt aware, our company is the largest single shareholder of New Surpass Petrochemicals Limited, holding directly and indirectly 319,000 shares of the 614,848 shares of New Surpass that are issued. This investment cost Chemalloy approximately \$425,000.00 and in addition we have from time to time advanced working capital funds to New Surpass to assist the company through its difficult formative years. At the present time New Surpass is indebted to Chemalloy in the amount of \$169,006.98 by way of non-interest bearing loans.

New Surpass has had a history of continuous losses dating back to its initial operations in 1955. As at December 31st, 1960 the accumulated deficit, including depreciation, amounted to \$756,881.06.

Early in 1959 New Surpass was successful in obtaining approval on one of its products by a large chemical concern. The product was an intermediate or semi-finished material requiring further processing before ultimate use. While this firm was already producing a similar product in its own plant, Surpass was fortunate in being selected as a supplier of the firm's surplus requirements. In an expanding market Surpass has enjoyed increasing sales to this firm over the past two years and these sales currently account for over 50% of Surpass business. It is highly doubtful if Surpass could have survived without this business, which has been conducted on an annual contract basis.

It has always been mutually understood that product obsolescence or other competitive factors could result in its termination at the expiration of any given contract. A short time ago this firm recognized the necessity of having expanded and fully integrated facilities in Canada for reasons of efficiency and economy. Since this expansion would embrace the operation which Surpass has been carrying out, they accordingly advised Surpass of this decision so that Surpass would be amply forewarned of this future loss of business. The Surpass Management advised them of the drastic effect the loss of this business would have and that Surpass would be unable to carry on after loss of this business became effective.

This Customer has sought to reassess their plans and seek means by which the Surpass plant might be salvaged. They have now determined that although it is not ideally situated nor is the equipment of the same design as they would install themselves, use of this equipment is possible if the Surpass operations can be purchased at a reasonable price based on usefulness in a fully integrated operation.

As a result of several months negotiations and at the request of Chemalloy Minerals an offer has been received to purchase 100% of the Capital Stock of New Surpass plus assignment by Chemalloy of outstanding loans of New Surpass for a total consideration of \$380,000.00. This offer was submitted to Chemalloy as the largest shareholder, to evaluate and if considered reasonable to be presented to all shareholders.

The Directors of Chemalloy after careful consideration of all possible alternates feel that New Surpass could not carry on after the end of 1962 and would have to be put in liquidation. The specialized nature of the equipment would limit its saleability and it is felt that there would be little left for the shareholders upon a winding up of the company. It is felt that the offer is a fair one and would realize for the shareholders the maximum for their investment, although certainly at a loss.

August 10, 1961

TO THE SHAREHOLDERS

NEW SALTAS CORPORATION LIMITED

JAMES HILL OR MAGNATE

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If Chemalloy was to receive full payment of the \$169,000.00 debt owed by Surpass the remaining \$211,000.00 of the offer applicable to common shares would approximate 34¢ per share. Chemalloy is willing in order to make the offer more attractive for the smaller shareholders to forego some \$72,000.00 of its debt so that all shareholders would receive 46¢ per share for their stock. This price would be in excess of the market value which has been in the range of 30¢ to 40¢ per share in recent months.

The offer requires that on or before September 15, 1961, Prudential Trust Company, The Trustees, will present evidence that it can deliver or cause to be delivered, all of the issued shares of New Surpass. If all shareholders of New Surpass do not accept the offer, the same may be withdrawn within 48 hours of the close of business September 15, 1961, upon due notification to those shareholders who have accepted.

The price of 46¢ per share will be the net amount payable to you and we consider that it is a fair price in view of the facts presented and urge you to accept this offer for the benefit of all shareholders.

Enclosed herewith is a letter of Transmittal which we ask you to complete and to enclose along with your properly endorsed share certificates of New Surpass Petrochemicals Limited in the self-addressed envelope and mail to The Trustees, Prudential Trust Company Limited, Toronto, preferably by Registered Mail for your protection.

As this offer expires at the close of business on September 15, 1961 and is subject to 100% acceptance, it is urged that you accept this offer now.

CHEMALLOY MINERALS LIMITED,

WALTER H. IRWIN,
Executive Vice-President.

LETTER OF TRANSMITTAL

To accompany certificate(s) for shares in the capital stock of

NEW SURPASS PETROCHEMICALS LIMITED

(Please note carefully the instructions contained in the Notes hereto)

TO: PRUDENTIAL TRUST COMPANY LIMITED

DEAR SIRs:

In response to the offer dated August 10, 1961 from Prudential Trust Company Limited to holders of shares of New Surpass Petrochemicals Limited, the undersigned hereby irrevocably accepts the said offer and tenders the number of shares indicated below for the purpose of sale to Prudential Trust Company Limited upon the terms and conditions set out in such offer, the undersigned hereby irrevocably agreeing to an extension by forty-six days of the closing date in such offer if so elected by the offeror.

The undersigned transmits herewith certificate(s) No.(s)

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aggregating.....shares in the common stock of New Surpass Petrochemicals Limited duly endorsed in blank for transfer or accompanied by appropriate irrevocable stock transfer power(s) duly executed in blank, in either case with the signature guaranteed pursuant to the instructions contained in Note 2 hereto, and deposits the same with Prudential Trust Company Limited in accordance with such offer.

It is understood that upon Prudential Trust Company Limited becoming obligated or determining to purchase such shares or any of them as aforesaid, there is to be forwarded to the undersigned at the address given below, by cheque, the amount of the purchase price of the shares purchased, or, in the event that the terms of the offer are not met, that the certificate(s) will be returned.

Dated this day of , 1961.

Signature

.....
Please print full name

.....
Insert address

(OVER)

NOTES

1. This Letter of Transmittal, duly signed and completed, together with the appropriate share certificate(s) should be delivered or sent to Prudential Trust Company Limited, 366 Bay Street, Toronto, Ontario.
2. All signatures to endorsements or stock transfer powers must be guaranteed by a Canadian chartered bank or trust company or a bank in the United States of America having membership in the Federal Reserve Board system or a firm having membership on a recognized stock exchange or by a notary public under his notarial seal or in some other manner satisfactory to Prudential Trust Company Limited.
3. Where a share certificate or stock transfer power is endorsed as attorney, executor, administrator, trustee, guardian or in any other representative capacity, evidence of the authority of the signatory to act in such capacity must accompany the Letter of Transmittal, and, where endorsed on behalf of a company, the corporate seal must be affixed.
4. Where a share certificate or stock transfer power is endorsed by a married woman who resides in a jurisdiction where the authorization of her husband is required, such authorization in writing signed by her husband, with his signature guaranteed as aforesaid, must accompany the Letter of Transmittal.
5. It is strongly recommended that the share certificate(s) and accompanying documents, if not delivered, should be mailed by registered mail.

